

AMENDED IN SENATE APRIL 22, 2015

AMENDED IN SENATE APRIL 6, 2015

SENATE BILL

No. 704

Introduced by Senator ~~Bates~~ *Gaines*

February 27, 2015

An act to amend Section 1091.5 of the Government Code, relating to public officers.

LEGISLATIVE COUNSEL'S DIGEST

SB 704, as amended, *Bates Gaines*. Public officers and employees: conflict of interest.

Existing law prohibits Members of the Legislature, state, county, district, judicial district, and city officers or employees from being financially interested in any contract made by them in their official capacity, or by any body or board of which they are members. Existing law identifies certain remote interests that are not subject to this prohibition and other situations in which an official is not deemed to be financially interested in a contract. Existing law makes a willful violation of this prohibition a crime.

This bill would establish an additional situation in which an official is not financially interested in a contract as applied to an owner or partner of a firm serving on an advisory board or commission to the contracting agency if the owner or partner recuses himself or herself from all participation in reviewing a project that results from a contract between the firm and the contracting agency.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 1091.5 of the Government Code is amended to read:

1091.5. (a) An officer or employee shall not be deemed to be interested in a contract if his or her interest is any of the following:

(1) The ownership of less than 3 percent of the shares of a corporation for profit, provided that the total annual income to him or her from dividends, including the value of stock dividends, from the corporation does not exceed 5 percent of his or her total annual income, and any other payments made to him or her by the corporation do not exceed 5 percent of his or her total annual income.

(2) That of an officer in being reimbursed for his or her actual and necessary expenses incurred in the performance of official duties.

(3) That of a recipient of public services generally provided by the public body or board of which he or she is a member, on the same terms and conditions as if he or she were not a member of the body or board.

(4) That of a landlord or tenant of the contracting party if the contracting party is the federal government or any federal department or agency, this state or an adjoining state, any department or agency of this state or an adjoining state, any county or city of this state or an adjoining state, or any public corporation or special, judicial, or other public district of this state or an adjoining state unless the subject matter of the contract is the property in which the officer or employee has the interest as landlord or tenant in which event his or her interest shall be deemed a remote interest within the meaning of, and subject to, the provisions of Section 1091.

(5) That of a tenant in a public housing authority created pursuant to Part 2 (commencing with Section 34200) of Division 24 of the Health and Safety Code in which he or she serves as a member of the board of commissioners of the authority or of a community development commission created pursuant to Part 1.7 (commencing with Section 34100) of Division 24 of the Health and Safety Code.

(6) That of a spouse of an officer or employee of a public agency in his or her spouse's employment or officeholding if his or her

1 spouse's employment or officeholding has existed for at least one
2 year prior to his or her election or appointment.

3 (7) That of a nonsalaried member of a nonprofit corporation,
4 provided that this interest is disclosed to the body or board at the
5 time of the first consideration of the contract, and provided further
6 that this interest is noted in its official records.

7 (8) That of a noncompensated officer of a nonprofit, tax-exempt
8 corporation, which, as one of its primary purposes, supports the
9 functions of the body or board or to which the body or board has
10 a legal obligation to give particular consideration, and provided
11 further that this interest is noted in its official records.

12 For purposes of this paragraph, an officer is "noncompensated"
13 even though he or she receives reimbursement from the nonprofit,
14 tax-exempt corporation for necessary travel and other actual
15 expenses incurred in performing the duties of his or her office.

16 (9) That of a person receiving salary, per diem, or reimbursement
17 for expenses from a government entity, unless the contract directly
18 involves the department of the government entity that employs the
19 officer or employee, provided that the interest is disclosed to the
20 body or board at the time of consideration of the contract, and
21 provided further that the interest is noted in its official record.

22 (10) That of an attorney of the contracting party or that of an
23 owner, officer, employee, or agent of a firm which renders, or has
24 rendered, service to the contracting party in the capacity of
25 stockbroker, insurance agent, insurance broker, real estate agent,
26 or real estate broker, if these individuals have not received and
27 will not receive remuneration, consideration, or a commission as
28 a result of the contract and if these individuals have an ownership
29 interest of less than 10 percent in the law practice or firm, stock
30 brokerage firm, insurance firm, or real estate firm.

31 (11) Except as provided in subdivision (b), that of an officer or
32 employee of, or a person having less than a 10-percent ownership
33 interest in, a bank, bank holding company, or savings and loan
34 association with which a party to the contract has a relationship
35 of borrower, depositor, debtor, or creditor.

36 (12) That of (A) a bona fide nonprofit, tax-exempt corporation
37 having among its primary purposes the conservation, preservation,
38 or restoration of park and natural lands or historical resources for
39 public benefit, which corporation enters into an agreement with a
40 public agency to provide services related to park and natural lands

1 or historical resources and which services are found by the public
2 agency, prior to entering into the agreement or as part of the
3 agreement, to be necessary to the public interest to plan for,
4 acquire, protect, conserve, improve, or restore park and natural
5 lands or historical resources for public purposes and (B) any officer,
6 director, or employee acting pursuant to the agreement on behalf
7 of the nonprofit corporation. For purposes of this paragraph,
8 “agreement” includes contracts and grants, and “park,” “natural
9 lands,” and “historical resources” shall have the meanings set forth
10 in subdivisions (d), (g), and (i) of Section 5902 of the Public
11 Resources Code. Services to be provided to the public agency may
12 include those studies and related services, acquisitions of property
13 and property interests, and any activities related to those studies
14 and acquisitions necessary for the conservation, preservation,
15 improvement, or restoration of park and natural lands or historical
16 resources.

17 (13) That of an officer, employee, or member of the Board of
18 Directors of the California Housing Finance Agency with respect
19 to a loan product or programs if the officer, employee, or member
20 participated in the planning, discussions, development, or approval
21 of the loan product or program and both of the following two
22 conditions exist:

23 (A) The loan product or program is or may be originated by any
24 lender approved by the agency.

25 (B) The loan product or program is generally available to
26 qualifying borrowers on terms and conditions that are substantially
27 the same for all qualifying borrowers at the time the loan is made.

28 (14) That of a party to a contract for public services entered into
29 by a special district that requires a person to be a landowner or a
30 representative of a landowner to serve on the board of which the
31 officer or employee is a member, on the same terms and conditions
32 as if he or she were not a member of the body or board. For
33 purposes of this paragraph, “public services” includes the powers
34 and purposes generally provided pursuant to provisions of the
35 Water Code relating to irrigation districts, California water districts,
36 water storage districts, or reclamation districts.

37 (15) That of an owner or partner of a firm serving on an advisory
38 board or commission to the contracting agency if the owner or
39 partner recuses himself or herself from all participation in

1 reviewing a project that results from a contract between the firm
2 and the contracting agency.
3 (b) An officer or employee shall not be deemed to be interested
4 in a contract made pursuant to competitive bidding under a
5 procedure established by law if his or her sole interest is that of
6 an officer, director, or employee of a bank or savings and loan
7 association with which a party to the contract has the relationship
8 of borrower or depositor, debtor or creditor.

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